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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.



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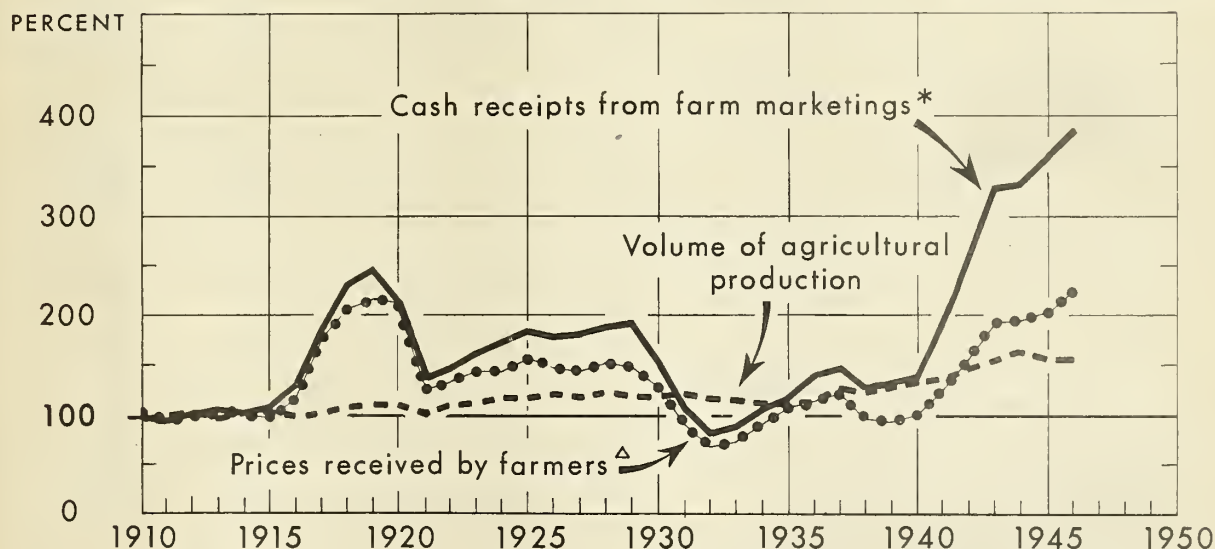
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AGRICULTURAL PRODUCTION, PRICES, AND RECEIPTS, UNITED STATES, 1910-46

INDEX NUMBERS (1910-14 = 100)



*EXCLUDING GOVERNMENT PAYMENTS

△ AUGUST 1909 - JULY 1914 = 100

1945 AND 1946, PRELIMINARY

U. S. DEPARTMENT OF AGRICULTURE

NEG. 39408-X BUREAU OF AGRICULTURAL ECONOMICS

With the volume of agricultural production in 1946 at near-record levels and with prices received by farmers at record-high levels, cash income from farm marketings and Government payments in 1946 are expected to exceed by 10 percent the previous all-time high in 1945. The volume of agricultural production increased each year from 1938 to 1944, then declined slightly in 1945 and 1946. Prices received by farmers have advanced each year since 1939. After registering slight increases in 1944 and 1945, the index has risen to a record level in 1946, exceeding the previous all-time high in 1919. As a result, cash receipts from marketings have increased each year since 1938, to record-high levels this year. In 1947 prices and income may be somewhat lower than in 1946.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1945		1946			
		Year	July	Apr.	May	June	July
Industrial Production <u>1/</u>	1935-39						
Total	= 100	203	210	165	160	170	173
All manufactures	"	214	222	176	167	176	178
Durable goods	"	274	292	190	175	194	202
Nondurable goods	"	166	165	164	161	162	158
Minerals	"	137	143	104	116	139	146
Construction activity <u>1/</u>	1935-39						
Contracts, total	= 100	118	94	296	294	303	280
Contracts, residential	"	64	56	422	439	434	404
Wholesale prices <u>2/</u>	1935-39						
All commodities	= 100	131	131	137	138	140	154
All commodities except farm and food	"	123	123	127	128	130	134
Farm products	"	169	170	178	181	184	207
Food	"	134	135	140	141	143	177
Prices received and paid by farmers <u>3/</u>	1910-14 = 100						
Prices received, all prod. ...	"	202	206	212	211	218	244
Prices paid, int. and taxes ...	"	174	173	181	185	188	199
Parity ratio	"	116	119	117	114	116	123
Consumers' price <u>5/ 6/</u>	1935-39						
Total	= 100	128	129	131	132	133	141
Food	"	139	142	142	143	146	166
Nonfood	"	123	123	126	126	127	127
Income	1935-39						
Nonagricultural payments <u>4/</u>	= 100	236	240	233	234	236	240
Cash farm <u>3/</u>	"	283	282	276	299	286	354
Income of Industrial Workers <u>3/</u>	"	286	297	244	244	263	263
Factory payrolls <u>5/</u>	"	307	318	265	264	273	277
Weekly earnings of factory workers <u>5/</u>	Dollars						
All manufacturing	"	44.39	45.45	42.88	42.48	43.35	43.07
Durable goods	"	49.05	50.66	45.71	45.05	46.43	45.69
Nondurable	"	38.29	38.59	40.13	39.93	40.27	40.41
Employment							
Total civilian <u>7/</u>	Millions	51.6	54.3	54.6	55.3	56.7	58.1
Employees in nonagri. est. <u>5/</u>	Thous.	38,144	38,474	36,887	38,633	39,124	39,325
Farm <u>3/</u>	"	9,844	11,100	9,121	10,366	11,422	11,586
Government finance (Federal) <u>8/</u>	Mil. dol.						
Receipts, net	"	3,837	2,695	2,677	2,733	4,479	2,539
Expenditures	"	7,546	8,557	4,251	3,677	5,513	4,514

Annual data for the years 1929-45 appear on page 20 of the March 1946 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board; converted to a 1935-39 base. 2/ U. S. Dept. of Labor, B. L. S. 3/ U. S. Dept. of Agriculture, BAE. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce. 5/ U. S. Dept. of Labor B. L. S. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of Census. 8/ U. S. Dept. of Treasury. Data for 1945 are on average monthly basis.

 THE DEMAND AND PRICE SITUATION

Approved by Outlook and Situation Board - September 25, 1946

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 THE OUTLOOK FOR FARM PRODUCTS IN 1947

The demand for farm products in 1947 is likely to continue strong, but may be at lower levels in the latter half of the year than in the first half. For 1947 as a whole, total demand for farm products and prices received by farmers are likely to average somewhat below 1946. But prices received by farmers are likely to exceed the average of 1945 which was about twice as high as either 1935-39 or 1909-14. Prices paid by farmers are expected to average higher next year.

Assuming normal growing conditions next year, cash receipts from farm marketings and Government payments may be reduced about 5 percent compared with the record receipts in 1946. With increased production costs and reduced receipts from marketings, the net income of farm operators may be reduced as

much as 10-15 percent from 1946. But even with a reduction of such magnitude, the net income of farm operators will still be near the high wartime levels of 1943-45 and about 2-1/2 times the 1935-39 average.

Consumers' incomes will probably average higher in 1947 than in any preceding year, but the increase may not be reflected in increased domestic demand for farm products as would occur under normal conditions. There is a tremendous accumulated demand for many manufactured goods, production of which was severely curtailed during the war years. The larger volume of these goods expected in the market at higher prices probably will absorb considerably more than its present share of the increased purchasing power. Consumer expenditures for durables will be larger next year but expenditures for nondurables as a group may not be increased. Furthermore, foreign demand for farm products is likely to be somewhat smaller in 1947. Contributing factors include contraction of food exports by UNRRA, some rehabilitation of European Agriculture and a probable shift in the use of dollar exchange to the purchase of nonagricultural commodities. With no expansion in domestic demand for farm products and a reduction in foreign takings, the combined demands are likely to average somewhat lower next year than in 1946.

INDUSTRIAL ACTIVITY AND EMPLOYMENT

A high level of domestic industrial activity and relatively full employment during most of 1947 will contribute substantially to higher consumer incomes. Industrial production in 1947, as measured by the Federal Reserve Board Index, may average as much as 10 percent higher than 1946 and close to 85 percent above the 1935-39 average, providing production is not retarded by major labor-management disputes. Reconversion of basic industries to peacetime production was substantially completed by the middle of 1946. With the settlement of major labor-management disputes which occurred in the first half of the year, industrial production moved upward sharply. From the postwar low point of 152 in February of this year (1935-39 = 100), the index of industrial production advanced to an estimated 176 for August. The index a year ago was 186 but production in that month still was largely war production. Continued expansion in industrial activity is anticipated for the remainder of this year. The large deferred demands for most industrial products will not be satisfied this year, but most of the backlog in demands for consumer goods, in addition to normal demands, should be filled in 1947, with the important exception of automobiles and housing.

Production of nondurable goods such as textiles and manufactured food products has been well maintained during the reconversion period at about 60 percent above the 1935-39 average. These goods have been moving to consumers in volume although still below current demands. Durable manufacturers output was severely restricted by labor-management disputes, and plant reconversion in the first half of 1946. The index of durable manufacturers advanced from 139 in February (1935-39 = 100) to about 206 in August. During the war period, total industrial production advanced to a level approximately 2-1/2 times that of 1935-39, with production of durables increasing almost fourfold. While it is not anticipated that durable goods production next year will attain wartime levels, further substantial gains are in prospect for this segment of industrial production, particularly in machinery and transportation equipment.

An important factor influencing the level of industrial activity in the latter part of 1947 is the likelihood of a decline in expenditures for some consumer nondurables, such as textiles. With large-scale production of textiles and many other nondurables, the backlog of consumer demands and inventory requirements in this important sector may be largely filled by the middle of next year. When inventory requirements, which are large now, have been met, contraction in nondurable production in line with current sales may result in some decline in total production, despite the likelihood that there may be little contraction in the output of durables. Should prolonged industrial disputes occur by early 1947, the time when the deferred demands will be filled may be postponed appreciably.

Consumer expenditures for food may average close to the very high level of 1946, but with industrial production and incomes declining in the latter part of the year, food expenditures may also drop somewhat in this period. The demand for agricultural products at the farm levels is likely to be appreciably lower in the second half of 1947 than in the first half. The relaxation of OFA controls and rising distribution costs will probably be reflected in some increase in margins between the farm and retail level next year. Furthermore, the anticipated decline in exports of food products, and the influence of the 1947 crop, assuming a continued high level of agricultural production will also tend to lower the level of prices received by farmers during 1947.

Total civilian employment is expected to average somewhat higher next year, although the increase that can be made over 1946 appears to be relatively small. With demobilization almost complete, further additions to the labor force can be moderate at best. In August, total civilian employment of 58.0 million was at record levels. Unemployment was estimated at only 2 million, close to a minimum level of unemployment. Since August 1945, civilian employment increased 4.5 million. Unemployment increased only about 1 million, even though the demobilization of almost 10 million veterans was accomplished during this period. By next summer, employment may reach a peak perhaps 2 million higher than 1946, representing primarily additional veterans yet to enter the labor force together with some further reduction in unemployment. As of early August, there were 390,000 veterans who were expected to seek employment in the near future. In addition, many more veterans, now students, will seek employment next year. The expansion in employment in the past year has been chiefly in construction, trade and the services. Employment in manufacturing is somewhat less than a year ago. Although the number of additional workers that will be obtained is relatively small, an additional increase in production may be obtained through some increase in productivity per worker and longer hours of work. Unemployment may average slightly higher in 1947 than this year largely as a result of heavier unemployment near the end of next year.

WAGES AND INCOME

Wage rates have been advancing since early 1946 and are currently at a higher level than the war peak reached at the beginning of 1945, despite the reduction in premium rates for overtime and in employment in the high paying war industries. However, as a result of the reduction in hours worked, average weekly earnings per factory worker in July were 9 percent below the peak reached in January 1945. With a generally tight labor market in prospect, it is likely that wage rates will continue to advance into next year. With increased employment and higher wage rates, nonagricultural labor income in 1947 may average 10 percent higher than this year, and almost triple the labor income of 1935-39. Nonagricultural entrepreneurial income is also expected to increase substantially next year. Despite the anticipated decline in income from agriculture and smaller Government expenditures, it is likely that total income payments to individuals in 1947 may be about 6 percent above 1946, totaling about 175 billion dollars compared with an estimated 165 billion in 1946 and the 67-billion average in 1935-39. Income payments in July at a seasonally adjusted annual rate of 169 billion dollars were the highest on record, about 7 billion dollars larger than in June and 5 billion dollars greater than in July a year ago. The large increase in July was principally due to the sharp increase in income from agriculture although nonagricultural income payments also advanced substantially. While the level of income payments to individuals is expected to average higher next year, the total income flow to individuals may be lower in the latter part of the year than in the first half.

FOREIGN DEMAND FOR AGRICULTURAL PRODUCTS

Agricultural exports in 1947 probably will be considerably smaller, both in volume and value, than in 1946, although they will continue well above prewar levels. Agricultural exports were valued at over 2-1/4 billion in 1945 and probably will amount to around 3 billion in 1946. Most food exports are expected to decline in 1947, although exports of fresh and canned fruit may increase. Exports of cotton probably will be smaller while the volume of tobacco exports probably will remain about the same or increase. Among the important factors affecting United States exports next year will be the import requirements of the deficit countries, as determined by their needs and the adequacy of indigenous supplies of food and fiber. Other factors will include the availability of agricultural products from exporting countries other than the United States, the quantity of dollar exchange which will be available for the purchase of the exports of this country, the extent to which the needs of the war-devastated countries for nonagricultural products will compete with food and fiber requirements for the dollar exchange available, and the expected termination of UNRRA activities.

World food supplies for the 1946-47 consumption year (August-July) are expected to be slightly larger than in 1945-46 with most of the increase in output accounted for by the deficit areas. If the pattern of food utilization is unchanged in continental Europe, total food output in terms of food energy could be about 90 percent of the 1933-37 average as compared with 80 percent or less in 1945-46. Crop prospects are also better than a year ago in most of the important food-producing areas of the Far East. However, this year's larger output, particularly in Europe, has been accompanied by considerably better than average weather conditions, and harvests next year may be but little better than

this season, even though improvement continues to take place with respect to fertilizer, draft power, and machinery. Stocks of staple food in deficit as well as export countries are extremely low, hence the demand for rebuilding stocks to more comfortable levels will be added to current consumer demand.

Present levels of food energy output are associated with a marked reduction in the quality of diets owing chiefly to much smaller livestock populations and an accompanying diversion of prewar feedstuffs to direct human consumption. Consequently, the needs of deficit countries for imported foodstuffs in 1947 will still be very large. But they will be less acute than in 1946. The further restoration of railroads, highways, and other facilities of transportation and distribution and increased availability of industrial products should help to alleviate the marked disparity which has prevailed in recent years between diets of farm and nonfarm populations. As far as purchases from the United States are concerned, good crops in other non-European exporting countries, notably Canada and Australia, a reversion toward prewar trade channels and the resumption of normal shipping services probably will tend to cause some demands of deficit areas to shift toward suppliers other than the United States. A factor which may be of some importance in affecting the flow of trade is the course of foreign exchange rates. Recent price increases have improved the competitive position of agricultural exporting countries other than the United States, although Canada recently revalued her currency upward. Most countries plan to delay readjustments in the external values of their currencies needed as a result of the war until these changes can be made as a part of the program of the International Monetary Fund.

The supply of dollar exchange available to foreign countries need not be a factor limiting exports of United States goods and services during the coming year. This is suggested by the foreign holdings of gold and dollar exchange, the large dollar resources of the new International Bank and of the Export-Import Bank available for the making of new dollar loans, the considerable unspent balances of the latter bank. In addition, U. S. imports of goods and services in 1947 are expected to be larger than in 1946. Although the supply of dollar exchange in general may not prove to be a factor limiting total exports, certain individual countries may continue to limit purchases in the United States because of shortage of exchange.

The value of exports of United States merchandise as a whole in 1947 probably will be greater than the more than 10 billion dollars estimated for 1946. In the 5 years, 1935-39, exports of merchandise from the United States were valued at 2.8 billion dollars. However, in contrast to the situation before the war, a large part of the goods and services supplied foreign countries during recent years has been made possible by funds given or loaned by the United States Government or its agencies. For instance, foreigners bought United States exports of goods and services in 1937 to the value of a little more than 4.5 billion dollars. In order to pay for these purchases, foreign countries sold to the United States goods and services to the amount of nearly 4.4 billion dollars, and invisible items, mostly involving a movement of capital, served to pay for the remainder. In 1945 actual reported exports of merchandise from the United States amounted to 3.8 billion dollars. When the value of services and the value of goods transferred to foreigners abroad are added to the value of merchandise exports, the resulting total value of goods and services acquired by foreign countries from the United States amounted to about 15.4 billion dollars.

However, from the sale of goods and services to the United States, foreign countries earned about 8.9 billion dollars, most of the difference represented the net operations of lend-lease and United States contributions to UNRRA.

While the value of goods and services purchased by the United States from foreign countries in 1947 will be much above prewar levels, the value of sales by the United States to foreigners will greatly exceed purchases. The resulting gap will continue to be filled mainly by special financing arrangements. Such arrangements are expected to be less of a stimulant to agricultural exports in 1947 than during the current year. It is estimated that about a third of the total value of agricultural exports this year will be accounted for by UNRRA shipments. By next year, exports of U. S. merchandise by UNRRA will have largely ceased. On the other hand, utilization of the British Loan and Export-Import Bank loans combined will likely be of increased importance. In addition, dollar loans by the International Bank for Reconstruction and Development are expected to be of considerable significance. Loans to foreign countries by private lenders in the United States, though of less importance, will also be increasing. The extent to which these financial arrangements will result in purchases from the United States will depend not only upon the size of the loans but also upon the speed with which the new loans are made and the rate at which borrowers draw upon the balances placed to their credit. It is estimated that during 1946 foreigners may draw on loans made by the United States Government, by its agencies, or by international agencies to which it has contributed to the extent of more than 4 billion dollars. Utilization of dollar credits in 1947 may well be larger than in 1946 and will be more important in financing United States exports than UNRRA has been during the present year, although they will not approach the level of lend-lease during the war period.

Dollar loans in general probably will tend to stimulate nonagricultural rather than agricultural exports. The war-devastated countries have a tremendous need for industrial goods, and recent and future lending operations by the United States and by international agencies are designed primarily to enable them to restore their industrial plant and equipment. Of course, some of the borrowed funds will be spent for agricultural products and the demand for United States agricultural exports will be increased indirectly insofar as borrowed funds increase the total supply of dollar exchange available. However, it is expected that agricultural products will represent a distinctly smaller proportion of total exports of U. S. merchandise during the next year.

THE PRICE LEVEL

Wholesale prices in 1947 may average about 5 percent higher than in 1946 or approximately the level reached in August this year. However, prices may be moving downward in the latter part of the year.

With the end of the war, a steady advance in wholesale prices began which was climaxed shortly after the lapse of price controls on June 30. During the first six months of 1946, the Bureau of Labor Statistics index of wholesale prices advanced 5 percent. Further advances of 10 percent from June to July and of about 5 percent from July to August were recorded. Thus, the total increase in prices from January through August was slightly more than 20 percent and brought the index 60 percent above the 1935-39 average. Most of the advance so far this year occurred in farm products and foods which advanced about 23

and 40 percent respectively. In August, the levels of wholesale prices of farm products was more than double and of foods almost double the 1935-39 average. Wholesale prices of commodities other than farm products and foods advanced only about 13 percent from January through August and were about 40 percent higher than in 1935-39.

From the end of June, when price controls lapsed, to the end of August, prices of farm products advanced 12 percent, foods 33 percent, and commodities other than farm products and foods 5 percent, although price controls, with major modifications, were reestablished late in July. Part of the advance in farm products and foods offset the discontinuance of subsidy payments. As of early September, there were many important farm products and foods remaining free of price controls, notably grains, cotton, most fruits and vegetables, and dairy products. Reimposed price ceilings on livestock and meats, flaxseed and soybeans will result in a somewhat lower level of prices for farm products and foods in September. Declining grain prices, particularly of corn, and the downward adjustment in prices of vegetables and many fruits in the first postwar year indicate that the peak in prices of farm products this year may have been passed.

However, prices of industrial commodities generally have yet to reach their peak. Price controls have operated more rigidly on this group than on other segments of the price structure. Under the provisions of the Price Control Extension Act of 1946, price adjustments reflecting higher costs of materials and labor are required. Since the reestablishment of OPA on July 25, many adjustments of this nature have been made, notably in textiles, and many more are in prospect. In this sector of the economy, the shortage of goods relative to demand is most pronounced. An upward trend in prices of industrial goods is likely until supplies are more nearly in balance with the large accumulated demands. This is not likely to occur this year but may develop in 1947.

In August 1946, the index of prices received by farmers advanced to a new record of 249 (1909-14 = 100), 6 percent higher than the peak attained in May 1920 following World War I, and 123 percent above the 1935-39 average. Compared with August 1945, this index has advanced 22 percent. Although prices of farm products next year may average somewhat below the estimated 1946 average of about 225, prices in the latter half of the year may average considerably lower if crops continue large and foreign takings are reduced. However, the commitments of the Government to support prices of "Basis" and "Steagall" commodities which contributed slightly more than 60 percent of the total cash income from farm marketings in 1945, would still maintain a high level of farm prices, if general price support operations became necessary.

The index of prices paid by farmers, including interest and taxes, also advanced to a new record level of 204 in August (1910-14 = 100), 18 percent above the August 1945 average and 60 percent above the 1935-39 average. For next year, this index may average about the same as in August and perhaps 7 percent higher than the average of 192 estimated for this year.

In July, the parity ratio (ratio of the index of prices received by farmers to the index of prices paid by farmers, interest and taxes) equaled the wartime peak of 123 established in April 1943. This ratio declined by 1 point in August. The parity ratio next year is expected to average somewhat less than in 1946 but will probably average higher than parity or 100. However, in the latter half of the year, the ratio may be below 100.

STATISTICAL SUMMARY OF PRODUCTION, PRICES, EMPLOYMENT AND INCOME, 1935-46

The following tabulation gives annual data for most of the important economic series appearing in the preceding analysis, from 1935-39 to estimations for 1946.

Production, prices, employment and income, United States, 1935-46

Item	Base period: or unit	Calendar year							Esti- mated 1946
		1935-39	1941	1942	1943	1944	1945		
		average:	:	:	:	:	:		
Industrial production 1/	1935-39=100	100	162	199	239	235	203	172	
Volume of farm marketings	"	100	116	127	135	139	136	136	
Consumers' prices (urban) 2/	"	100	105	117	124	126	128	138	
Food	"	100	106	124	138	136	139	150	
Nonfood	"	100	105	113	116	120	123	130	
Wholesale prices,									
all commodities 2/	1926 = 100	81	87	99	103	104	106	118	
Farm products	"	76	82	106	123	124	128	142	
Food products	"	79	83	100	107	105	106	122	
All excluding farm and food	"	81	89	95	97	98	100	108	
Prices received by farmers	1910-14=100	107	124	159	192	195	202	225	
Prices paid by farmers	"	125	131	152	167	176	180	200	
Prices paid, interest and taxes	"	128	132	150	162	170	174	192	
Parity price ratio	"	84	94	106	119	115	116	117	
Factory hourly earnings 2/	"	286	344	403	454	481	483	505	
Farm wage rates	"	118	154	201	264	315	350	380	
Total civilian employment 3/	Million	44.5	45.2	49.1	52.1	52.4	51.8	51.6	
Unemployment 3/	"	4.8	8.2	5.0	2.4	1.1	.8	1.2	
National income payments 5/	Bil. dol.	67.2	92.7	117.3	143.1	156.8	160.7	165	
Farm cash income including									
Government payments	" "	8.5	11.8	16.0	20.0	21.0	21.6	23.9	
Realized net income of									
farm operators	" "	4.7	6.5	9.4	12.9	13.0	13.2	14.8	

1/ Federal Reserve Board.

2/ Bureau of Labor Statistics.

3/ Bureau of the Census.

4/ Data are for 1939 only. Due to revisions, the data for 1945 and 1946 are not exactly comparable to earlier data.

5/ Department of Commerce.

The preliminary estimates for 1946 were prepared by Bureau of Agricultural Economics

OUTLOOK FOR FARM INCOME IN 1946 AND 1947

Although gross farm income is expected to remain at a high level in 1947 net income may be 10 or 15 percent below the record 1946 levels. In 1946, cash receipts, gross farm income, production expenses, and farmers' net income are all expected to be about 10 percent above 1945, higher than in any previous year. In 1947, on the other hand, both cash receipts and gross income may decline by about 5 percent. With farm-production costs expected to show a further rise in 1947, the net income realized by farm operators may decline by more than 10 percent.

Cash Receipts

Cash receipts from farm marketings may total somewhat less than the preliminary estimate of 23 billion dollars for 1946. As no production payment programs are now anticipated in 1947 for dairy products, beef cattle, and sheep, Government payments to farmers are likely to show a sharp decline. With such payments included in total cash receipts, 1947 may show a decline of about 5 percent from 1946. Among the other assumptions underlying this estimate are (1) average yields on crop-acreage goals, and (2) a small decline in the average of prices received by farmers.

Cash receipts from farm marketings in 1946 are expected to reach a new peak of about 23 billion dollars, or 10 percent above 1945. In addition, Government payments are expected to total about 850 million dollars, also 10 percent above last year. The total volume of farm marketings in 1946 is at about the same level as in 1945; but prices received by farmers are likely to average about 10 percent higher. The increase in cash receipts, therefore, has been largely the result of higher prices. Increases in ceiling prices for some commodities in May and for others in September, and marked advances in the prices of some products when price controls were suspended, have all contributed to higher average prices in 1946.

With 1946 showing a further increase in the volume of crop marketings, total crop receipts will be about 20 percent higher than in 1945. Especially significant is a 50-percent increase in cash receipts from wheat, as a result of particularly large crops sold at higher average prices. Higher prices also brought a marked gain in receipts from cotton. Despite a marked increase in average prices during 1946, only a 5-percent increase is expected in total cash receipts from marketings of livestock and products. Receipts from meat animals and dairy products are higher this year, but poultry and eggs are down.

In 1947, cash receipts from farm marketings may total around 22 billion dollars. Government payments to farmers, however, may be down by as much as 60 percent. A slight increase in total receipts from livestock and products is a possibility for 1947, but it is expected that this will be more than offset by a decline in total crop receipts. If crop conditions are average, the volume of marketings of both crops and livestock in 1947 would be slightly below 1946. This may be accompanied by some increase in the prices received for livestock and products, but the average of all prices received by farmers is expected to be somewhat less.

Production Expenses

Production expenses in 1946 and 1947 are likely to continue the upward trend which has prevailed since the beginning of the recent war period. Total farm-production costs in 1946 will be about 10 percent higher than in 1945; and a further increase of as much as 5 percent may occur next year. The indicated total for 1947 will be about two and a quarter times as large as in 1938, and nearly half again as great as in 1920, the highest year prior to World War II. Increasing prices for nearly all commodities used in production are of primary importance in bringing about relatively high production expenses in 1946 and 1947.

Greater costs of hired labor are also contributing materially to the increase in total production costs. With farm employment in 1946 slightly above last year, and farm-wage rates the highest on record, the total cost of hired labor in 1946 probably will be about 10 percent above 1945. With small additional increases expected in 1947 in both employment and wage rates, total labor costs may show another 5-percent increase.

Expenditures for purchased feed are also making substantial gains. Increases in feed prices in 1946 were large enough to more than offset the decline in number of livestock fed; and the total cost of purchased feed this year may show a gain of 10 or 15 percent over 1945. In 1947, expenditures for this purpose may decline.

Rent to nonfarm landlords is also rising with higher net returns from farming. Rents this year may amount to as much as 20 percent more than in 1945; and only a relatively small decline is expected in 1947.

The cost of operating motor vehicles on farms will probably increase both for 1946 and 1947. The number of tractors, trucks, and automobiles on farms will probably rise as production is stepped up and purchases of new vehicles increase. With fuel prices and repair costs also rising, the cost of motor-vehicle operation may show almost a 15-percent increase in 1946, and probably another 15-percent increase in 1947.

Charges for maintenance and depreciation may show gains of 5 or 10 percent in 1946 and also in 1947. Increased purchases of motor vehicles as well as larger expenditures on farm buildings, may raise total depreciation charges especially in 1947.

Greater quantities of both fertilizer and lime are being used in 1946 and further increases are expected in 1947; expenditures probably will be up in both years.

Tax payments on real and personal property may show slight increases both in 1946 and in 1947, as there appears to be some tendency for tax levies to be raised in order to offset increases in costs of local Government.

Farm-mortgage interest payments may again decline in 1946, reflecting farmers' ability to decrease long-term indebtedness. In 1947, however, increases in mortgage debt resulting from transfers of ownership of farms and equipment may be great enough to offset decreases resulting from large payments on older mortgages.

Net Income to Farm Operators

For 1946, the realized net income of farm operators is estimated at about 14.7 billion dollars, or more than 10 percent above 1945. Net income in 1947, however, may be from 10 to 15 percent below 1946. Government payments are included in these estimates of net income, which are derived by subtracting total expenses of farm production from gross farm income.

Gross income—the sum of cash receipts from farm marketings and Government payments, the value of farm products consumed in farm households, and the rental value of farm dwellings—will probably amount to around 27 billion dollars in 1946. It is expected to decline in 1947 by about 5 percent.

LIVESTOCK AND MEATS

With per capita incomes expected to average higher during the first half of 1947 than in any other peacetime year, near-record prices for meat animals are in prospect for that period—second only to the high prices in July and August 1946. Recently established ceilings will permit prices of cattle and hogs around 10 percent higher, and lambs over 15 percent higher, than in the first half of 1946. However, any substantial decline in national income in the second half of 1947 would be accompanied by declining prices of meat animals, particularly in the fourth quarter when meat production will be increasing seasonally.

Meat production in 1947 may be about the same as in 1946. Production for 1946 will be less than the 22.9 billion pounds, wholesale meat basis, produced in 1945, and the record high production of 24.7 billion pounds in 1944. Meat production and livestock marketings in July and August was at a high level, but was sharply reduced in early September with reduced marketings. Pork production will be reduced in the spring and summer of 1947, reflecting an indicated 15 to 20 percent reduction in the size of the 1946 fall pig crop. This reduction may be largely offset by late marketings of 1946 spring pigs and a possible moderate increase in the 1947 spring pig crop, for market in the fall and winter of 1947-48. Slaughter of cattle and calves may be at least as large as in 1946. Fewer sheep and lambs will be slaughtered than in 1946, with a further reduction in the lamb crop in prospect, and with fewer lambs to be grain fed this winter.

Civilian meat supplies per capita in 1947 may be as large as in 1946. Exports and shipments of meat in 1947 are not likely to be as large as the exports of over 1 billion pounds shipped in 1946. Military purchases of meat also are likely to be lower than in 1946.

Recent increases in hog ceilings and declining corn prices suggest that the spring pig crop of 1947 may be slightly larger than the 52 million head of 1946. The hog-corn price ratio in early September was materially under the long-time average for the month. The ratio will increase as new-crop corn is harvested, but even if corn prices decline to support levels (90 percent of the October 1 parity), the ratio during the early winter (at ceiling prices for hogs) would not be favorable for a material increase in the 1947 spring pig crop. Farmers' anticipation of the lapse of price control may result in a somewhat larger spring pig crop than would be indicated on the basis of past relationships.

Higher prices for the better grades of cattle than under previous ceilings, large numbers of cattle available for feeding, and large supplies of feed in the principal feeding areas all point to an increased number of cattle to be fed for market in 1947. Feeder-cattle prices this fall and winter may continue higher than a year earlier with a strong demand by both feeders and slaughterers and short supplies of all meat at ceiling prices.

The liquidation of ewes continues and it is likely that the number of stock sheep this year will decline almost as much as the 8-percent reduction that occurred in 1945. With fewer ewes on farms, the lamb crop will show a further reduction in 1947.

DAIRY PRODUCTS

Demand for dairy products is likely to continue at a high level through the first half of 1947. Production of milk next year may be slightly lower than in 1946. Beginning stocks also will be less but exports will be smaller than the nearly 6 billion pounds (milk equivalent) exported in 1946. Prices of dairy products through the first half of 1947 will average close to present levels after allowing for seasonal variations. In the latter part of 1947, prices of dairy products may be lower than a year earlier because of declining demands. Costs to dairymen for feed concentrates in 1947 will be below the latter half of 1946 but above the first half. Other costs will be higher. In relation to prices of feed and competing livestock products, farm prices of dairy products may be more favorable than in the summer months of 1946 and are likely to be above average at least through the first half of 1947.

On June 1, 1946, the number of milk cows on farms was down 4.3 percent from June 1, 1945. Although numbers of young stock have declined for 2 years, the number of potential milkers is still sufficient for farmers to halt the decline in milk cow numbers, provided culling is reduced sharply. A slower rate of decline and perhaps a halt in reduction of cow numbers may come during 1947. If pasture and feed conditions are favorable, production per cow in 1947 may exceed the 1946 record. If so, total milk flow may be only slightly smaller than this year though the year is begun with somewhat fewer cows.

Supplies of dairy products for domestic consumption in 1947 are likely to be slightly less than the 113 billion pounds consumed in 1946. Consumption of milk in the form of fluid milk and cream may decline; nevertheless, consumption of manufactured products containing butterfat is not likely to change much in 1947 compared with 1946. With smaller total supplies of milk, increases in output of butter will be slight and supplies of butter per person may not exceed 11 pounds per person compared with the record low of 10 pounds in 1946 and a prewar average of 16.7 pounds. The proportion of milk sold by farmers as whole milk rather than as cream may decline slightly from the 75 percent in 1946 but will continue well above the 1935-39 average of 56 percent. Utilization and consumption of nonfat solids probably will continue at a high level in 1947.

POULTRY AND EGGS

Farmers in 1947 will receive higher egg prices than in 1946. Sharp increases have occurred during the past few months in the prices paid by farmers, including interest and taxes. These increases raise the minimum support levels

for eggs. During the 1947 flush production season, support prices will be at least 7 percent above prices actually received by farmers this year. The average price received by farmers from March through June 1946 was 32.4 cents per dozen, 96 percent of parity.

Domestic demand for eggs in 1947 is expected to be slightly stronger than in 1946. The level of national income for the year is likely to be slightly higher than in 1946. But higher egg prices in 1947 at support levels probably will be accompanied by some decrease in egg consumption. The 1946 consumption rate is indicated at about 570 eggs per person—second only to the 1945 record consumption of 392 eggs per person. The United States supply of and demand for eggs in 1947 probably will be reasonably well in balance at support prices if 100 million to 200 million dozen eggs are procured for export. USDA purchases for export in 1946 will total the equivalent of approximately 300 million dozen.

Egg production in 1947 will be 6 to 9 percent lower than in 1946. But, egg supplies will decrease less than production because the January 1, 1947 prospective carryover of shell and frozen eggs will be about 60 million dozen, shell-egg equivalent, above January 1, 1946.

A high level of consumer purchasing power and short meat supplies will tend to keep demand for chicken and turkey strong for the remainder of 1946 and first half of 1947. Chicken prices will reach new-record peaks in the next few months and turkey prices may exceed previous highs. But prices of chicken and turkey are expected to decline after mid-1947 when seasonal increases in marketings will occur and when consumer incomes may be declining.

Total chicken meat output in 1947 probably will be about the same as in 1946. However, turkey production in 1947 is likely to increase over 1946 and may exceed the 1945 record.

FATS, OILS, AND OILSEEDS

Until mid-1947 at least, prices of fats and oils probably will be at ceiling levels, higher if ceilings are removed. Prices for oilseeds will continue high in 1946-47 and 1947-48.

The minimum price to producers for soybeans produced in 1946, basis No. 1 or No. 2 green and yellow soybeans, 14 percent moisture, is \$2.04 per bushel, the same as for the 1945 crop and 4 percent above the comparable price on August 15, 1946. The ceiling price for soybeans was recently increased to \$2.25 per bushel for No. 1 or No. 2 green and yellow varieties, 15 cents above the ceiling for the 1945 crop. Returns to producers for flaxseed produced in 1946 were guaranteed at \$3.60 per bushel, Minneapolis basis. The prevailing market price, however, is at the recently announced ceiling of \$4.00 per bushel, Minneapolis. During the 1945-46 year, flaxseed sold for \$3.10 per bushel, Minneapolis, and in addition farmers were eligible for payments of \$5.00 per planted acre, equivalent to about 56 cents per bushel on the basis of the average yield per acre in 1945. A support price of \$4.00 per bushel for flaxseed produced in 1947 was announced in September 1946.

The support level for peanuts produced in 1946 is 8.6 cents per pound (\$172 per ton) 90 percent of the parity price of peanuts (for nuts) on July 15, 1946. In 1945-46, the support level was 8.0 cents per pound, and farmers received

an average of 8.2 cents per pound. On the basis of ceilings for cottonseed oil, meal and linters, including recent increases, the price to farmers for cottonseed would average \$68 to \$69 per ton compared with an average of \$52.10 per ton received for the 1945 crop.

An increase is expected next year in United States imports of fats and oils (including oilseeds in terms of oil). World export supplies of copra, whale oil, and linseed oil, are likely to increase materially. The United States will receive a substantial share of the increase in supplies of Philippine copra. Exports of fats and oils from the United States are expected to decline sharply after 1946. Even with these changes net imports into the United States in 1947 probably will be less than half the prewar average of 1.5 billion pounds.

Total output from domestic materials in the next 12 months is tentatively forecast at 8.6 billion pounds, 3 percent less than a year earlier but 5 percent above the prewar average. Lard and grease production in the late spring and summer of 1947 will be smaller than a year earlier, reflecting a reduction in the 1946 fall pig crop. Linseed-oil output from domestic flaxseed will be substantially smaller in the first half of 1947 than in the corresponding period of 1946. A slight reduction in soybean-oil production is likely in the next 12 months. Cottonseed-oil output will continue at the low level of 1945-46. Partly offsetting these factors, butter production may increase slightly in 1946-47.

Factory and warehouse stocks of fats and oils in the United States on October 1, 1946 probably will be 300 to 400 million pounds smaller than a year earlier and about 700 million pounds (35 percent) less than prewar. Civilian consumption of fats and oils in 1946-47 (year beginning October) may be slightly larger per person than in 1945-46, with some increase in both food and nonfood products. But consumption will remain moderately below the prewar level and considerably below demand at ceiling prices.

CORN AND OTHER FEED

Prices of feed grains probably will average slightly higher in the first half of the 1946-47 feeding season (beginning October 1) than in the first half of 1945-46. Livestock and poultry feed requirements will be smaller in 1946-47 than in 1945-46. But a strong nonfeed demand is expected particularly for corn for export and for food and industrial processing. Corn prices are expected to decline substantially by November or December from the high levels that have prevailed since early July. The decline will be limited, however, by the strong commercial demand and by Government price supports at 90 percent of parity as of October 1. (Ninety percent of parity as of August 15 was \$1.18 per bushel.)

The supply of feed grains for 1946-47 will total about 138 million tons, on the basis of September 1 conditions. This would be the second largest tonnage on record, exceeded only in 1942-43. The supply of feed grains per animal unit on farms next January 1 may be the largest supply per animal on record, 8-10 percent larger than in 1945-46. Reserves of corn probably will be substantially larger on October 1, 1947 than on October 1 this year. Carry-over of oats next year also is expected to be larger than the record stocks on July 1 this year. Marketings of both corn and oats are expected to be large during the coming year, and livestock producers in deficit areas and grain processors should obtain adequate supplies with much less difficulty than during the past season.

Total supplies of byproduct feeds are expected to be larger both in volume and per animal unit in 1946-47 than a year earlier. Commercial supplies of high-protein feed probably will be about the same as in 1945-46. Some decrease in demand is in prospect for byproduct feeds and for commercial mixed feeds, particularly poultry feeds, because of reduced livestock numbers. Prices of some low-protein feeds, such as wheat millfeeds and alfalfa meal, are expected to be moderately below present levels.

The 1946-47 supply of hay is fairly large and, while smaller than that of a year ago, probably will be ample for the hay requirements of the livestock to be fed during the coming year. Hay prices this fall and winter are likely to average somewhat higher than a year earlier.

FOOD GRAINS

Supplies of wheat and rice in the United States in 1947-48 are expected to be plentiful but supplies of rye may continue short. Under these conditions, prices may be somewhat lower than in 1946-47.

Wheat

Large export demand for wheat is expected to hold prices at somewhere near present levels for most of the remainder of the current marketing year. For the 1947 crop, prices may be only moderately lower unless yields per acre in this and other important producing countries are very large. Present legislation provides for loans to cooperating farmers at 90 percent of parity on wheat harvested during the 2 years following the year in which the cessation of hostilities is officially proclaimed. Should prices be at support levels in 1947-48, they would probably be between 10 and 15 percent below those of the current marketing year. There will be no wheat marketing quotas or acreage allotments during the 1947-48 wheat marketing year.

Under present conditions, growers probably will seed about the same wheat acreage as they did for the 1946 crop. Goals established by State committees for the 1947 crop add up to 71.7 million acres, practically the same as the acreage seeded for the 1946 crop, and about as great as reasonable conservation will allow. With average development, this acreage would produce a crop of about 930 million bushels. If domestic use totals about 730 million bushels, a crop of this size would leave 200 million bushels for export or addition to carry-over stocks. Exports of 200 million bushels in 1947-48 are likely unless crops in other exporting countries and principal importing countries are better than average. Accordingly the carry-over on July 1, 1948 may not be much different from the 275 million bushels expected for July 1, 1947.

The large export demand, in terms of wheat exports to deficit countries, probably reached its peak during the past year. Future exports are dependent on the increased use of wheat in food-deficit countries and the maintenance of a high level of international trade. While our pricing policy is important in determining our share of wheat exports, the future level of wheat exports is very dependent on general world-trade policy and the success of international trade agreements. If exports are not maintained at a high level, large surpluses will again accumulate in exporting countries, unless means are effective to curtail production.

Rye

With the likelihood that the acreage for rye grain will be expanded to some extent, although not enough to satisfy all requirements, rye prices are expected to be moderately below the high current level.

A national rye goal of 2.4 million acres for harvest as grain in 1947 was announced in late August. This would be a third larger than the 1.8 million acres harvested in 1946, but a third below the 5-year (1937-41) average of 3.7 million acres. The acreage of rye harvested for grain has been declining steadily for a number of years, largely under the influence of better profit opportunities in other crops, to the point where the acreage harvested in 1946 is less than one-half the acreage harvested in 1937-41. While the goal for 1947 is not as high as would be considered adequate for all needs under the circumstances, it is deemed as large as feasible.

Assuming an average yield on the goal acreage, a crop of about 29.5 million bushels would be produced. In 1947 there will be a desire on the part of U. S. civilians to resume a normal consumption of rye for food following the limited supplies available in 1946-47. It is considered that the goal would provide for this, but it would be necessary to continue to use less than average quantities of rye for food and spirits and to greatly restrict exports. Disappearance in the 10-year, 1935-44 period averaged as follows, in million bushels: Food 7.3, feed 22.2, seed 8.1, alcohol and spirits 7.2, and exports 1.3.

Rice

The general outlook for rice is dependent upon supplies in Oriental countries. With Oriental crop prospects for the harvest in November 1946 again below normal and distribution facilities disrupted by war, import requirements in these countries are expected to be important again in 1947-48. Under these conditions, another year of large rice production in the United States is desirable.

Requirements of our normal markets in 1947-48 are estimated about as follows, in million bushels of rough-rice equivalent: Food and industrial use 33.5, exports to Cuba and Canada 14.8, shipments to our possessions 11.8, military 1.6, and seed and feed 4.2. These total about 66 million bushels. If our large acreage is maintained for another year, and a crop approximating the 69.6 million bushels produced in 1946 is obtained, normal outlets for 66 million bushels would leave only about 4 million bushels for the abnormal demands resulting from war conditions.

As in the case of wheat, price-support loans to cooperating farmers are provided at 90 percent of parity in the 2 years following the formal termination of hostilities. If the index of prices paid by farmers, interest and taxes next August were to be about the same as at present, the loan rate on rice would be about \$1.50 per bushel, which compares with the actual price being received by growers for the 1946 crop of about \$2.00 per bushel.

FRUIT

Demand for fruit in 1947 is expected to be strong, with prices received by growers averaging from 1-1/2 to 2 times those of the 1935-39 period. Prices for some fruits, especially those in large supply, may not average quite as high as in recent years. Downward adjustments from the peak wartime prices already have occurred for some fruits, particularly grapefruit and apples, because of larger crops.

Prices for most of the 1946 fruit crops have been sustained by an extraordinary demand for fruit for processing. The 1946 pack of canned fruits is expected to set a new record. Although consumer demand for processed fruit continues strong, the high prices at which the new packs are being offered to consumers may result in much larger carryover stocks at the beginning of the 1947 pack season than a year earlier. Hence, processor demand may not be quite as strong as in 1946.

Exports of fruit in 1947 will be well below prewar levels but may increase moderately over recent years. There may be some increase in exports of fresh apples and pears and canned fruits to Europe. Canada probably will take the usual volume of fresh citrus fruits. Procurement by the military, a strong factor in the fruit market during wartime, is expected to be relatively small.

Although prices for 1946-crop deciduous fruits generally have been declining seasonally this summer with increasing shipments to market, prices are expected to advance this fall and winter on sales made from cold-storage stocks. If the new crop of citrus fruit turns out as large as now seems likely, prices this fall and winter probably will not be quite as high as a year earlier despite the continued strong demand for fruit in general.

Prices that growers will receive for the record-large 1946 crops of almonds and filberts are not likely to average quite as high as those for the 1945 crops. However, prices for the near-record crop of walnuts and the below-average crop of pecans may average about as high as those received for the 1945 crops.

TRUCK CROPS

For Fresh Market

Prices received by farmers for most commercial truck crops produced for fresh market shipment in 1947 are expected to average near the prices received in 1946, assuming production continues at the extremely high level of recent years. If, however, there is an increased flow of long awaited manufactured goods and possibly some recession in general business and income payments in the last half of 1947, this may restrain somewhat the effective demand for many foods, including fresh vegetables.

The record-large production in 1946 has unquestionably "caught up" to the unprecedented peacetime demand. Growers who produced for the 1946 winter season generally received very high prices, but those whose produce went to market in May, or later in the year, experienced prices one-fourth to one-third lower than the wartime peaks.

With prospective 1946 fall supplies larger than last year and much above average, prices received by growers for most truck crops probably will be lower than a year earlier for the rest of this year. Exceptions to the above-average fall supply situation are lima beans, cucumbers, and green peas.

For Processing

Prices to be received by farmers in 1947 for most commercial truck crops grown for processing may not be as high as those received this year. The total 1946-47 packs of canned and frozen vegetables are expected to be record large. This year's packs probably will be offered at retail prices higher than corresponding prices for the 1945-46 packs. In view of the sharper competition from abundant fresh supplies at prices lower than the last year or so, it seems likely that retail inventories may build up rather rapidly. If this happens, it may be reflected by some weakening in the demand of processors for acreage and tonnage in 1947.

POTATOES

Demand for potatoes in 1947 is expected to be slightly weaker than in 1946. Contributing to this outlook are the downward trend in per capita consumption of potatoes, the probable continued abundance of other fresh vegetables and cereal foods, and a decrease in takings of distillers who prefer grain as raw material for alcohol manufacture.

The Department of Agriculture has announced a 1947 production goal for potatoes approximately equal to the 1935-44 average production, but some 80 million bushels less than this year's near-record crop. Individual farm acreage goals are to be established, and price-supporting action by the Department will be contingent upon adherence to the acreage goals. Although the Department has not announced the support program for 1947 crop potatoes, this crop is one of the "Steagall Amendment" commodities which by law the Government is committed to support at not less than 90 percent of parity for at least 2 full calendar years following official proclamation by Congress or the President of the end of hostilities.

Prices received by growers for 1946 crop late potatoes are expected to remain close to support levels throughout the season. An addition to the regular loan program has been announced, effective September 15, for loans to Maine growers who, for lack of regular storage capacity, must use emergency field storage of an approved type. Such loans are planned to return to the grower the September support price.

SWEETPOTATOES

Demand for sweetpotatoes of the 1947 crop is expected to be slightly weaker than that for the 1946 crop now being harvested, particularly if some moderate recession in business activity and income payments occurs in the latter half of 1947. Prices received by farmers for the 1947 crop of sweetpotatoes probably will average above the minimum support level of 90 percent of parity. Competition for acreage from other crops such as cotton, peanuts, and tobacco probably will further restrict acreage in sweetpotatoes in 1947 except in the commercial producing area of Louisiana.

Although the 1946 crop is currently estimated to be slightly below both the 1945 production and 10-year average, weekly carlot shipments in August and early September have generally been larger than a year earlier, and prices received by growers have fallen slightly below those of a year earlier. Prices for sweetpotatoes throughout the 1946 crop season probably will continue generally below corresponding prices a year earlier, because of the competition from abundant market supplies of Irish potatoes and other fresh vegetables at prices lower than in recent years.

DRY EDIBLE BEANS AND PEAS

Demand for dry edible beans in 1947 is expected to be about as strong as in 1946, but demand for dry peas probably will be moderately smaller because of expected reductions in commercial exports and relief feeding abroad. Prices for the 1947 crops of beans and peas, which are "Steagall" commodities, will be supported by the Department of Agriculture at not less than 90 percent of the parity or comparable price.

Prices received by growers for dry edible beans in August averaged slightly below parity, yet nearly twice the prewar level. Ceiling prices per 100 pounds for dry beans, cleaned basis, were increased \$1.00 for baby limas and \$1.50 for all other varieties, effective September 9, 1946. These higher prices include former subsidy payments, none being provided for the 1946 crop.

Support prices for the 1947 crop of dry edible smooth peas, as announced August 23, 1946, will be on the basis of 90 percent of the "comparable" price on thresher-run peas as of July 1, 1947. Prices received by growers for peas in August 1946 averaged slightly above the comparable price and more than 3 times the prewar average.

The 1947 goal for dry field peas contemplates the planting of 390,000 acres to smooth varieties and 90,000 acres to wrinkled varieties for seed. The total of 480,000 acres is a reduction of 32,000 acres from the combined acreage planted in 1946 but about the same as the acreage harvested this year. The goal acreage at the 1941-45 average yields is expected to produce sufficient peas for the anticipated domestic and export demand.

COTTON

Farmers received an average of 33.55 cents per pound for lint cotton on August 15, 1946, the highest price received since July 1920. This price was equal to 133 percent of parity compared with prices a year ago equaling only 99 percent of parity. Early September prices of Middling 15/16-inch cotton at the ten spot markets have averaged slightly above mid-August prices, indicating that farmers are receiving, thus far in September, prices slightly above the August 15 level. Using August 15 prices and the September 9th crop production forecast of 9,171,000 bales, the returns to farmers for the 1946 crop would equal 1-3/4 billion dollars. This is the highest total return from cotton and cottonseed since 1925, when 16.1 million bales were harvested from 44.4 million acres. Farmers marketed the 1925 crop at an average price of 19.61 cents per pound.

The 1946 average loan rate for Middling 7/8-inch cotton is about 22.83 cent a pound. It is expected that the parity index will average above present levels in 1947 with the high point occurring about mid-year. On this basis, the loan rate for Middling 7/8-inch cotton from the 1947 crop would not be much below and it may be higher than 23.5 cents a pound. Although the 1947 loan rates would permit a substantial reduction in price from the current level, they would not permit a break comparable in intensity to that experienced during the post-World War I period.

The stability of rayon prices during the past decade (1937 to August 1946) in contrast with an increase of 264 percent in cotton prices during the same period has given rayon an increasingly favorable competitive position with cotton. The ratio of the price of rayon yarn to cotton yarn has declined from an average of 1.70 in 1937 to .72 in August 1946. Furthermore, the recent advance in cotton prices has greatly widened the spread between domestic and foreign prices, thereby enhancing the competitive position of foreign cotton in export markets.

U. S. cotton consumption in the year ending July 31 totaled 9.2 million bales and the August daily rate of mill consumption converted to an annual basis amounts to 10 million bales. With prospects for some improvement in labor conditions and machinery supplies for the textile industry, it appears that the relationship between the demand and the supply of cotton goods will be more important in the cotton consumption picture in 1947 than capacity of the textile industry. Cotton textile inventories do not appear to be excessive in relation to the present rate of sales. Outstanding retail orders are large. Should sales fall off as a result of higher retail prices, or a shift of expenditures from textiles to durables, or a decrease in consumer incomes, a rapid accumulation of stocks would occur at the retail level. Such an accumulation of retail stocks would carry back within a short period to the manufacturing level and result in curtailment of cotton consumption. Cotton consumption for the first six months of the 1946 crop year may run at an annual rate of 9.8 million bales. The situation for the last six months is less certain.

As of August 1, 1946, Commodity Credit Corporation requisitions on hand for export cotton totaled around three-quarters of a million bales. On the same date registered sales and consignments under the export payment program totaled more than 1.1 million bales. This total of around 1.8 million bales will be supplemented as the year proceeds by direct purchases from foreign importers and additional requisitions. While it is too early to forecast accurately exports for the year beginning August 1, 1946, it appears that exports for the first six months may total between 1.5 and 2 million bales. The total for the season is not likely to exceed and may be less than the 3.5 million bales exported during the 1945-46 season.

Supplies of all kinds of cotton in the United States for the 1946-47 marketing season are indicated at 16.9 million bales (assuming imports of 300 thousand bales). Total disappearance is expected to be near the 12.8 million bales which disappeared last season. Thus the domestic carry-over of all kinds of cotton in the United States on August 1, 1947 may be slightly less than 4 million bales compared with a 7.5 million bales on hand August 1 of this year or at the lowest level since 1929.

Present cotton prices, if sustained through the 1947 planting season, would encourage farmers to increase plantings for 1947. Some improvement in the farm labor situation and machinery supplies should also facilitate increased production. Furthermore, reasonably favorable weather during the 1947 season, in contrast to the adverse weather of the past two seasons, would permit farmers to carry out their intentions more completely and result in somewhat higher acreages and yields. Any increase in 1947 production resulting from the above-mentioned factors would probably be absorbed for export and maintenance of domestic supplies.

Foreign consumption of all kinds of commercial cotton expanded 22 percent from the 1944-45 to the 1945-46 season and a further increase of some 29 percent appears likely in 1946-47. In spite of the increase in consumption the foreign carry-over of all kinds of commercial cotton declined only slightly between August 1, 1945 and August 1, 1946. The difference was made up largely by imports from the United States.

The world carry-over of all kinds of commercial cotton on August 1, 1946 is estimated at 16 percent below a year earlier, but the estimated carry-over is 21 percent above the 1935-39 average. The reduction in world carry-over is made up largely of American cotton. The 1946 world commercial crop of cotton is estimated at 9 percent above the 1945 world crop, but is 29 percent below the 1935-39 average. World supplies of cotton this next year are now estimated at 42.0 million bales, 7.0 million bales less than in the peak year of 1939 and 5.0 million bales less than the 1935-39 average. World consumption of commercial cotton in 1946-47 may increase some 19 percent over consumption during the 1945-46 season.

WOOL

Selling prices of wool to mills may be somewhat higher in 1947 than in 1946. Prices of fine quality wools have advanced 10 to 15 percent above previous issue price at the Australian auctions which opened September 2 and this rise if maintained will be reflected in prices for foreign wools in bond at Boston. CCC selling prices for domestic wool may also be increased because of the continuing rise in the parity index (prices paid by farmers including interest and taxes) upon which wool parity is based. Under present legislation Commodity Credit Corporation is not permitted to sell its wool at less than parity. Prices to growers will be supported at present levels by CCC until April 15, 1947. After that prices to growers may decline to a level competitive with prices of foreign wool unless the Government again supports prices, since foreign prices probably will not increase sufficiently to raise duty-paid prices of imported wool to the level of present CCC purchase prices.

Shorn wool production will continue its decline in 1947 because of reduced sheep numbers, and may drop to 275-285 million pounds compared to 299 million now indicated for 1946. Assuming no great change in farm prices in 1947, cash receipts for wool may be lower than in any year since 1940 because of the smaller clip, but income from sheep, lambs and wool combined may exceed any previous year except 1946 and possibly 1943, because of the high level of lamb prices.

U. S. mill consumption of apparel wool in 1947 probably will decline moderately from the record annual rate of about 1 billion pounds, grease basis, which has been maintained consistently since 1941, and may total about 800-900 million pounds. This would be almost half again as large as the 1935-39 average. Production of men's clothing is still far short of current demands. It seems likely that a large part of the pent-up demand for men's wear may be met by the end of 1946. Demand will continue high in 1947, however, because of high consumer incomes and demand for replenishment of commercial inventories. Consumption of domestic wool, which has been small may increase and possibly may be as large as production in 1947 provided CCC sales prices are reasonably in line with prices of comparable duty-paid imported wool.

Total stocks of apparel wool in the United States on July 1, 1946 exceeded a billion pounds, grease basis, and it appears that the carry-over on January 1, 1947, will be larger than the 1946 carry-over of 798 million pounds and probably will equal a full year's consumption at the estimated 1947 rate. Sales of domestic wool have been increasing in recent months, but it does not appear that total sales will be large enough to prevent some further increase in CCC stocks during the last half of 1946. Imports have been at record levels but may decline sharply in 1947 because of the large stocks and lower mill consumption, especially if use of domestic wool increases. However, the prospects are that total 1947 apparel wool supplies in the U. S. will continue larger than normal compared with consumption.

TOBACCO

The 1946 crop of tobacco is the largest ever produced and harvest has been nearly completed. The total production of 2,221 million pounds, estimated as of September 1 by the Crop Reporting Board, exceeded the record crop of 1945 by 223 million pounds.

Continued high production of the principal tobacco products reflects mainly the high consumption levels for cigarettes and cigars. With employment and income levels continuing at relatively high levels the prospect is for sustained strong consumer demand for these products. Tax-paid withdrawals of cigarettes during the first half of the year had increased sufficiently to offset the sharp decline in tax-free military takings. Cigarette prices through mid-September had not advanced appreciably. Cigar prices advanced in midsummer and this advance may have a moderating influence on consumer purchases. Cigar production and consumption as indicated by tax-paid withdrawals were running well above 1945 during the first 7 months of this year but tax-free military takings were significant during the first half of 1945. Smoking tobacco production and consumption, which was higher during the cigarette shortages than would be expected from the prevailing level of employment and income, has fallen off. Scrap chewing and other chewing tobacco products have shown production declines as the result of cessation of operations in many war plants where smoking was prohibited. Snuff production has remained somewhat more stable though not as large as in the last months of the war.

Despite a large flue-cured crop, sales thus far have been at record prices although a slight downward trend was evident in early September. In the year ahead the domestic consumption of flue-cured tobacco is expected to be large as its principal use is in cigarette manufacture. Exports of flue-cured tobacco

during the marketing year July 1945 to June 1946 totaled 487 million pounds (farm-sales weight), the highest since the 1930-31 marketing year. The outlook for a high rate of flue-cured exports is favorable inasmuch as credits from the British loan will be a factor and foreign inventories and stocks are not yet replenished. Although the United Kingdom is the principal export outlet for flue-cured tobacco, other countries in the sterling and allied areas take significant quantities of flue-cured and other tobaccos. Since dollar exchange in these other countries will be more readily available due to the effects of the British loan, tobacco exports will probably be favorably affected. The 1947 production will be under quotas and allotments. Quotas were approved by grower referendum for 3 years--1947, 1948, and 1949. Loan rates based on 90 percent of parity will implement the price-support program of the Government.

The large 1946 burley crop has brought total supply for the 1946-47 marketing year to the highest level of record. The 1946 crop will be sold under quotas and with price-supporting loan rates based on 90 percent of parity. Prices of burley (marketed mostly from December through March) are expected to be satisfactory due to the high cigarette consumption, the excellent quality of the crop and higher prospective exports. Burley exports ran far ahead of any previous year during the nine-month period October 1945 to June 1946. In the year or so ahead further increases are anticipated. Many foreign countries derive important revenues from tobacco sales and therefore encourage imports. Arrangements are going forward for a referendum on whether or not quotas will be extended to future burley crops.

The domestic consumption of Maryland type 32 will increase next year with high cigarette manufacture. Prices for the high quality crop of record size are expected to be near this year's levels. The 1945 crop which sold May to August 1946 brought record prices. Exports are expected to be above last year and also the prewar level 1934-38.

Fire-cured tobacco stocks are quite low and the large crop is expected to bring good prices. Disappearance in the year ahead will exceed the 1945-46 marketing year. This is the second largest export tobacco and is expected to be in strong demand by foreign buyers. The disappearance of the dark air-cured types may be somewhat lower in the 1946-47 marketing year as chewing tobacco production has declined notably and the long-term downward trend appears to have resumed. The fire-cured and dark air-cured types are under allotments and quotas with price-supporting features, except type 37, Virginia sun-cured.

Domestic consumption of both cigar filler and binder types in the 1946-47 marketing year will exceed that of 1945-46 if the demand for cigars is sustained as it is expected to be. Sales of Connecticut cigar binder types were made in the field at very high prices in midsummer. Cigar binder carry-over is considerably below prewar levels and cigar filler carry-over moderately lower. Cigar filler and the Wisconsin cigar binder (usually sold December to April) are expected to bring higher prices than the preceding year. Some cigar types have also been in demand by foreign buyers and exports will probably continue for several months at the present higher than usual rate.

Price controls on leaf tobacco and products manufactured from tobacco were abolished by the amended Price Control and Stabilization Acts approved July 25,

unless recontrol under certain conditions is recommended by the Secretary of Agriculture. Prices of tobacco sold not subject to maximum price regulation have ranged much wider by grade and according to quality than when crops were marketed under "weighted average" price ceilings.

The estimated total supply of all classes of tobacco, at the beginning of the 1946-47 marketing year, is higher than a year ago due to the large crop produced this year. Supplies of flue-cured in prospect are nearly 7 percent above last year; burley supplies are 8 percent higher; Maryland nearly 19 percent higher; fire-cured, 5 percent; and dark air-cured, 7 percent above the year previous. Cigar filler supplies in prospect are only slightly above last year, about 1-1/2 percent; cigar binder supplies about 6-1/2 percent higher and cigar wrapper a little more than 2 percent greater than a year ago.

Total disappearance of all classes, with the probable exception of dark air-cured, in the current season, is expected to exceed somewhat the disappearance in the 1945-46 marketing year. Total exports since the end of the war have justified the earlier optimism and the prospects are for continued high exports for the period ahead.

SUGAR

Sugar rations in the U. S. will be continued at present levels at least through 1946. Moreover, significant increases in rations in 1947 are not likely until 1946-47 world crops are moving in volume and the level of rations will be dependent on the size of those crops. The expected larger U. S. production of sugar this fall helps to brighten the prospects for next year. However, the supply situation for the U. S. in 1947 will depend also on production in the possessions--Hawaii, Puerto Rico, and the Virgin Islands--and on allocations of sugar from Cuba. Supplies available for U. S. consumption, even with substantial increases in production in the areas supplying the U. S., will depend upon total world production of sugar and the policy on division of available world supplies. With some recovery expected in sugar production in Europe and other war-damaged areas, the U. S. probably will get more sugar next year. However, the demand for sugar in 1947 at price levels only moderately above present ceiling prices probably will far exceed available supplies.

The price support program for 1946 guarantees to sugar beet growers a national average return of \$13.50 per ton of average quality beets including Sugar Act Payments and a national average return to domestic cane growers of about \$7.60 per ton of average quality cane. These guarantees compare with returns of \$12.66 per ton for beets and \$7.03 per ton for cane last year.

The ceiling price on raw sugar at New York was raised from 4.205 cents per pound to 5.575 cents per pound effective on September 18, 1946. The wholesale refined ceiling was increased by 1.5 cents per pound from 6.10 cents per pound to 7.60 cents for cane sugar and from 6.00 cents per pound to 7.50 for best sugar. These upward adjustments were made under terms of the Cuban Purchase Agreement and the Price Control Extension Act of 1946. The price of sugar at Cuba is tied to the Bureau of Labor Statistics Retail Food Price Index and the index for the third quarter will average considerably above the specified base period. Government was absorbing about 2/3 of a cent per pound on Cuban sugar at the old ceiling level and under terms of the Extended Emergency Price Control Act, there is a limitation on the extent to which further price rises can be absorbed. The minimum base price for 1947-crop Cuban sugar will be the highest price paid in 1946 with provisions for increasing the base price as provided for the 1946 crop.